

# **MEETING SUMMARY NOTES**

## **Finance Work Group**

*April 2, 2003*

*3:30 p.m., Room 113, County-City Bldg.*

**MEMBERS:** Present - Brad Korell, Keith Brown, Mark Hesser, Connie Jensen, Bob Hampton, Polly McMullen Dan Marvin, Kent Seacrest, Tim Thietje, Terry Werner, Larry Zink, Tom Schleich, Otis Young, Allan Abbott (nonvoting)  
Absent - Lowell Berg, Ron Ecklund, Jim Budde, Richard Meginnis, Roger Severin,

**OTHERS:** Duncan Ross, Margaret Blatchford, Randy Hoskins, Lauren Wismer, Joel Pedersen, Don Herz, Bill Giovanni, Peter Katt, Steve Masters, Marvin Krout, Margaret Remmenga, Roger Figard, Don Taute, Melissa Ramos

### **AGENDA ITEMS DISCUSSION:**

#### **1. Welcome - Brad Korell, Work Group Chair**

Mr. Korell called the meeting to order at 3:35 p.m. and welcomed those present.

#### **2. Public Comment Period**

Mr. Korell asked if there were members of the public present who would like to address the Work Group at this time. There were none.

#### **3. Open Discussion RE: Street Financing - Brad Korell**

Margaret Remmenga came forward with handouts in order to respond to some questions that had been asked in a previous meeting. She was asked to identify the ten top customers for the Water and Wastewater Systems in relationship to what their total annual bill would be after user fee increases. Page one of the handout comes out of the Public Works audit report for fiscal year 2001-2002. The dollar amount did not include the most recent 7% user fee increase because that was effective with the current fiscal year. In order to get the fiscal year 2007-2008 amount, one 7% increase and five 3% increases were added.

Page two of the handout was a similar exercise for the Wastewater system. In this case, there is one 7% increase and four 3% increases. The following page was distributed by Planning on March 12, 2003, and shows Impact Fee revenues for a 12 year estimate. This identifies the

amounts if Impact Fees are increased by 12% beginning in Fiscal year 2008-2009. Page four contains a spreadsheet for the Water Enterprise Fund that was distributed on January 22, 2003. The difference in added revenue if Impact Fees are increased is about 5.7 million dollars. That would relate to an increase of user fees of 3% over a seven year period.

The same exercise was done for Wastewater on page five. Raised Impact Fees would bring in an additional 2.8 million dollars. If you worked the same exercise and had a 2.1% increase in fiscal year 2008-2009, a similar amount of dollars would be generated.

Allan Abbott came forward with handouts in order to follow up on questions that were asked at a previous meeting. If the arterial and residential rehabilitation were increased by 50%, the total dollars needed would be about 8 million dollars. The total is 53 million dollars for the first six years and 60 million dollars for the second six years. Without the 50% increase the dollar amounts would be 38 million dollars for the first six years and 43 million dollars for the second six years.

Abbott handed out another sheet taken from the most recent Department of Roads analysis of what Zink and Korell have been asking about. In the City, there are 840 residential centerline miles and 323 arterial centerline miles. Of those totals, about 35% of each have been added since 1980. There are about 500 miles which are 20 years old or older. With the amount of money the City is putting in now, 7.5 miles of residential rehabilitation and 3.5 miles of arterial rehabilitation are done each year. With a 50% increase 11.5 miles of residential rehabilitation and 5.0 miles of arterial rehabilitation could be done. Not all of the 500 miles 20 years old or older need to be rehabilitated at this time. A residential street should last 25 to 40 years before it has any major problems. At this time Abbott does not know if the rehabilitation program should be increased, he does however, know that it can't be decreased.

The City's current rating system states that the higher the number, the worse the streets are. However, the system does not say what number is acceptable. Korell asked what sort of maintenance plans Public Works would employ? Abbott answered that in the next year a system will be set up in which the same individuals rate the streets. This will then start the process of determining what is acceptable, set up the criteria at which we want 70 percent or 90 percent to be in this condition, and determining how long it will take to get there.

Don Herz came forward and stated that he had Bill Giovanni and Lauren Wismer take a look at the issues that were discussed at the last meeting from a legal perspective. Lauren Wismer came forward with handouts that show what is doable today without a change in State law or City Charter. Bill Giovanni added that on the sales tax, there is currently no statutory authority for the City of Lincoln to issue bonds secured by sales tax revenues. There is no statutory or City Charter authority to issue bonds secured by Wheel Tax receipts. Wheel Tax receipts can be used on an annual basis for street construction, reconstruction and to pay bond indebtedness, however, they can not be pledged as a stream of payment on a bond. Issuing Wheel Tax bonds would require a change in statute. The revenue could be used to support Highway Allocation Bonds on an annual basis.

Zink questioned if there was any limit on how much one could bond? Wismer stated that the City has not issued them in the past, however, a number of counties have. Typically the Highway Allocation bonds are issued with the pledge of the Highway Allocation money and Gas Tax moneys because that is what is permissible under State law. A back stop pledge of the property taxes must also be included since the Gas Tax moneys may not be a smooth stream of revenues. There is nothing to prevent a municipality that has the authority to issue Highway Allocation Bonds to actually levy a tax on an annual basis on all property in that governing district without a vote.

Giovanni clarified the Occupation Tax. There is no statutory or Charter authority for the City of Lincoln to issue Occupation Tax bonds. The Council has the ability to establish an Occupation Tax, but there is no ability to issue bonds that are secured by that stream of payment. That would require a State Statute authorization. The two existing bonding sources that exist today are General Obligation Bonds and Highway Allocation Bonds. Any of the other options would require an amendment to State law.

Korell commented that overall this committee, the Cost and Efficiency Committee and the Legislative Committee have come a long way. He felt that streets were where the money was going to get tough. The numbers on storm sewers and parks are not too overwhelming. When discussions first began regarding streets, the 350 million number was quite shocking. However, after the cost savings and efficiency was completed, the number was down to 200 million dollars. This town voted for two new high schools four years ago that cost 100 million dollars. A number of things have been done in the past, and through the work of this group a way will be found to take care of the 275 to 250 million dollars to take care of water and wastewater needs for the next 20 years without too much impact on the community. In perspective, 200 million dollars for streets is not an overwhelming number for this community.

Polly McMullen noted that the costs should not just be born by the residents of the City of Lincoln and that there is a broader group that uses and benefits from the streets. The speaker from last week honed in on sales tax being the most common method across the country and the most politically feasible. McMullen asked Abbott if there have been any discussions with Omaha City officials about a joint approach by the two cities to get an enabling legislation. Abbott responded that he was not aware of any on the sales tax side. Korell added that there are short term and long term strategies. If started today, in the best case, a sales tax would not be implemented until late 2004, most likely 2005/2006. It is something that could be set out for the second six year period.

#### **4. Other Business**

Korell suggested that the group go through the Street Financing Options and using a 1 thru 5 rating system, with 5 being high and 1 being low, to see how the options come out. Hesser noted

that there are three categories that may have broad support, but won't work. Those categories are the SID's, Sales Tax on Vehicles, and City Wage Tax.

Seacrest requested that the group look again at the sales tax on vehicles. The Council could say that whatever comes from car sales can and should go towards roads. They would, however, have to make up that money somewhere else. It may be part of the solution to look at this.

Although the Public Health/Safety need the money, they are not in the same crisis that roads is in. They may be able to find other sources of funding and help the roads out as well. Abbott noted that sales tax on auto sales at the state level goes into the road fund, with the exception of the last increase. It will be a reallocation of money, not new money. Dan Marvin added that politically it would be a difficult shift to do within the City. Seacrest replied that those services that would be losing money could start looking at other user fees in their area. Terry Werner did not support this option. He felt it would be a mistake for these types of restrictions to be put on a budget that is already very tight. Connie Jensen commented that the public is not aware that their property taxes do not go to any street funds at all. The public would allow some of their property taxes to go to the streets.

Korell went through the Street Financing Options and asked each member to vote on keeping the option for helping in the next 12 years. A vote for would keep the option in for consideration and a vote against would remove the option from consideration.

- G. O. Bonds - 11 For
- Highway Allocation Bonds - 11 For
- Sales Tax Increase - 8 For, 3 Against
- New Sales Tax on Vehicles - 4 For, 7 Against
- Reallocation of Sales Tax Funds on Vehicle Sales - 5 For, 6 Against
- City Wage/Income Tax - 6 For, 5 Against
- City Wheel Tax Increase - 11 For
- Occupation Tax - 11 For
- Special Assessment Districts - 11 For
- SID's - 11 Against

Marvin asked if special assessment districts were used, could the impact fees be waived.

Hampton noted that all of the landowner must agree. Abbott added that assessment districts are used to do internal roads which are not covered by impact fees. There would only be a conflict if it was done to get the main trunks in the arterial streets. The primary reason would be to allow the money to be borrowed at a more reasonable rate, which in turn would free up the ability to pay the impact fees.

Larry Zink requested to have further increments of impact fees added to the options. Korell did not add that to the option list. The full committee will take that issue up at the next session. The Mayor stipulated that it was not part of the approval of the impact fee deal, therefore, it is outside the charter of this group.

Seacrest brought up another version of Special Assessments that was called Assessments, in which the group would ask the Legislature to ask for a broader authority to do assessment districts so that the middle person who benefits would pay just as much as those people on the edges. The City can't do a maintenance assessment district for neighborhoods. There are business improvement districts, but not residential improvement districts.

Korell suggested that the items talked about today and voted against would be deleted from the list. The new form would be sent out to the group and they would need to rank each option with a one through five scale. It will need to be sent back to Kent as soon as possible and he will add it up and that will be basis of next meeting.

## **5. Adjournment**

The next meeting will be held on Tuesday April 8, 2003.

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